

WEIL, GOTSHAL & MANGES LLP
Stephen Karotkin (*pro hac vice*)
(stephen.karotkin@weil.com)
Ray C. Schrock, P.C. (*pro hac vice*)
(ray.schrock@weil.com)
Jessica Liou (*pro hac vice*)
(jessica.liou@weil.com)
Matthew Goren (*pro hac vice*)
(matthew.goren@weil.com)
767 Fifth Avenue
New York, NY 10153-0119
Tel: 212 310 8000
Fax: 212 310 8007

KELLER BENVENUTTI KIM LLP
Tobias S. Keller (#151445)
(tkeller@kbkllp.com)
Jane Kim (#298192)
(jkim@kbkllp.com)
650 California Street, Suite 1900
San Francisco, CA 94108
Tel: 415 496 6723
Fax: 650 636 9251

*Attorneys for Debtors
and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

Bankruptcy Case

PG&E CORPORATION,

No. 19-30088 (DM)
Chapter 11
(Lead Case)(Jointly Administered)

- and -

**PACIFIC GAS AND ELECTRIC
COMPANY,**
Debtors.

**DECLARATION OF JOHN LOWE IN SUPPORT OF
MOTION OF DEBTORS FOR ENTRY OF AN
ORDER APPROVING DEBTORS' 2020 (I) SHORT
TERM INCENTIVE PLAN; (II) LONG TERM
INCENTIVE PLAN; (III) PERFORMANCE
METRICS FOR THE CHIEF EXECUTIVE OFFICER
AND PRESIDENT OF PG&E CORPORATION; AND
(IV) GRANTING RELATED RELIEF**

- ☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric Company
☒ Affects both Debtors

Date: March 25, 2020
Time: 10:00 a.m. (Pacific Time)
Place: United States Bankruptcy Court
Courtroom 17, 16th Floor
San Francisco, CA 94102

** All papers shall be filed in the Lead Case,
No. 19-30088 (DM).*

1 I, John Lowe, pursuant to section 1746 of title 28 of the United States Code, hereby declare
2 under penalty of perjury that the following is true to the best of my knowledge, information and belief:

3 I am the Senior Director of Total Rewards of Pacific Gas and Electric Company (the “Utility”
4 and together with PG&E Corporation, “PG&E” or the “Debtors”), and have served in my current role
5 since 2016. In my capacity as Senior Director of Total Rewards, I lead the Compensation and Benefits
6 functions, which are responsible for design and implementation of PG&E’s compensation and benefits
7 programs and practices. I joined PG&E in 2012 as Director of Executive Compensation before being
8 promoted to my current position in June 2016. I have worked in the field of Human Resources for more
9 than 35 years, 25 years of which have been specifically focused in the area of compensation. Prior to
10 joining the Utility, I was the Manager of Compensation for Michigan-based energy provider DTE Energy
11 Company, Director of Compensation and Benefits at Holly Automotive Division, Coltec Industries, and
12 spent years consulting on compensation and benefits strategies with The UL Group, Ltd. Consulting
13 firm. I hold a Bachelor of Science in Human Resources Management from Oakland University and a
14 Master of Arts in Industrial Relations from Wayne State University.

15 I am knowledgeable and familiar with the Debtors’ compensation and benefit programs, and the
16 processes by which they are administered and developed. I am also generally familiar with the
17 compensation practices of many of the Debtors’ peer companies in the utility industry as well as the
18 compensation practices of many similarly-sized non-utilities. I am authorized to submit this Declaration
19 (the “Declaration”) on behalf of the Debtors in support of the (a) *Motion of Debtors Pursuant to 11*
20 *U.S.C. §§ 105(a), 363(b), and 503(c) for Entry of an Order Approving Debtors’ 2020 (I) Short Term*
21 *Incentive Program; (II) Long Term Incentive Program; (III) Performance Metrics for the Chief*
22 *Executive Officer and President of PG&E Corporation; and (VI) Granting Related Relief* (the
23 “Motion”).¹ The facts set forth in this Declaration are based upon my personal knowledge, my review
24 of relevant documents, and information provided to me by the Debtors’ other employees or the Debtors’
25 legal, restructuring, or other advisors. If called upon to testify, I would testify to the facts set forth in
26 this Declaration.

27
28 ¹ Capitalized terms used but not otherwise herein defined shall have the meanings ascribed to such terms
in the Motion.

I. PG&E'S HISTORICAL PRACTICE MAINTAINING STIP & LTIP

For over 30 years, the Debtors have offered an annual short-term incentive compensation plan (“**STIP**”) to a broad group of their employees (including senior officers) whereby annual incentive awards are linked to the Debtors’ achievement of certain key performance metrics. Historically, the Debtors also maintained an equity-based long-term incentive plan (“**LTIP**”) that covered approximately 400 senior employees, who also participated in the STIP.² The STIP and LTIP, as applicable, represent important components of each participant’s total compensation as is typical in the utility industry and across all industries and are comparable to the incentive-based pay components of the Debtors’ industry peers. The combination of base pay and incentive-based compensation for a significant portion of the Company’s broad employee base brings their compensation in-line with the market and their peers in the utility industry. The STIP and LTIP are part of a competitive compensation package designed to motivate and incentivize employees who are necessary for the Debtors’ continued ability to deliver safe and reliable electric and gas services.

On April 29, 2019, the Court approved the Debtors’ proposed 2019 short-term incentive plan, as amended (the “**2019 STIP**”), for eligible non-insider employees pursuant to that certain *Order Pursuant to 11 U.S.C. §§ 105(a), 363, and 503(c) (i) Approving Short-Term Incentive Plan and (ii) Granting Related Relief* [Docket No. 1751].³ As discussed in detail in the *Corrected Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363, and 503(c) for Entry of an Order (i) Approving Short-Term Incentive Plan and (ii) Granting Related Relief* [Docket No. 806] (the “**2019 STIP Motion**”), filed on March 8, 2019, the 2019 STIP was consistent with the Debtors’ historical practice of offering short-term incentive compensation to a broad group of their employees linked to the achievement of certain key performance metrics.⁴ The 2019 STIP provided for quarterly cash payments to eligible employees based on the

² The Debtors did not issue any LTIP equity grants in 2019, but incorporated a portion of the LTIP value into the Court-approved 2019 STIP for certain eligible participants.

³ On April 9 and 10, 2019, ten new directors were seated on the Boards of Directors of PG&E Corp. and the Utility, and, on April 10, 2019, three new directors were appointed to the Compensation Committee of the Board of PG&E Corp. (the “**Compensation Committee**”).

⁴ In light of the devastating 2018 Northern California wildfires, the hardships incurred by communities and others, and PG&E’s financial circumstances and need to seek relief under chapter 11, all 2018 STIP awards were zeroed out.

Debtors' achievement of enterprise-wide performance targets, which included metrics related to public and employee safety, customer satisfaction, and financial performance.

As described in more detail in the Motion, the Debtors filed the *Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363(b), and 503(c) for Entry of an Order (I) Approving Debtors' Incentive Program for Certain Key Employees and (II) Granting Related Relief* [Docket No. 2664] (the "**2019 KEIP Motion**") seeking approval of a key employee incentive program for 2019 based upon the Debtors satisfying certain safety, financial, and operational metrics (the "**2019 KEIP**") consistent with the metrics approved by the Court in connection with the 2019 STIP.⁵ On August 30, 2019, the Court issued a ruling denying approval of the 2019 KEIP Motion.

II. DEVELOPMENT OF THE 2020 STIP AND 2020 LTIP

On July 12, 2019, Governor Newsom signed into law Assembly Bill 1054 ("**AB 1054**"), which, among other things, establishes a state-wide fund to pay certain claims arising from future wildfires (the "**Go Forward Wildfire Fund**") and addresses the issue of electrical utility executive compensation. Specifically, AB 1054 requires that executive compensation be determined by a mix of safety and financial considerations. To obtain a safety certification, a utility must show, among other things, that it has "established an executive compensation structure approved by the [Wildfire] [D]ivision [that is] structured to promote safety as a priority and to ensure public safety and utility financial stability" Cal. Pub. Util. Code § 8389(e)(4). Without a safety certification, an electric utility will have difficulty recovering costs from the Go Forward Wildfire Fund. Over the past several months, the Debtors worked closely with the Compensation Committee and their advisors to significantly redesign their executive compensation structure to comply with AB 1054's standards.

Acknowledging that continued employee performance and motivation is critical to achieving the company's goals, the Debtors have used this opportunity to redesign PG&E's compensation plans, both for twelve (12) "insiders" (the "**Senior Executives**") and the broad-based employees, in order to align employee performance with key company goals and the parameters of AB 1054. Over the past several

⁵ The proposed 2019 KEIP further emphasized safety compared to the 2019 STIP by subjecting the 2019 KEIP awards to a downward modifier (recommended by the then newly appointed Compensation Committee) of -50% or -25% if the Debtors failed to meet threshold or target performance, respectively, of the metrics most closely aligned with wildfire safety.

1 months, the Debtors worked closely with the PG&E Corp. Compensation Committee (the
2 **“Compensation Committee”**) and their advisors to significantly redesign their executive compensation
3 structure to comply with AB 1054’s standards.⁶ With input from the Compensation Committee, senior
4 leaders and operating units, and with Pay Governance (**“PG”**), the independent compensation consultant
5 to the Board, the Debtors determined that in light of these comprehensive changes, it was in the best
6 interests of the Debtors to adopt and implement an entirely revised incentive plan for the 2020 calendar
7 year for the Senior Executives and eligible employees in the broader workforce consistent with the intent
8 and requirements of AB 1054.

9 After several meetings and extensive deliberations and consultation with the Debtors’ advisors,
10 the Compensation Committee approved the 2020 STIP and the 2020 LTIP and on March 4, 2020
11 recommended for approval application of the 2020 PG&E Corp. Performance Metrics to Mr. Johnson’s
12 2020 Performance-Based Awards.

13 **A. 2020 STIP -- Overview of Metrics and Weightings**

14 Participants in the proposed 2020 STIP (**“STIP Participants”**) are largely comprised of
15 employees who were eligible to participate in the 2019 STIP, many of whom (1) have specialized
16 training and experience directly related to utility management and regulatory compliance, (2) work
17 across various departments within the Debtors’ organization, including operations, engineering,
18 customer organization, finance, human resources, information technology, and legal, and (3) have
19 developed valuable institutional knowledge regarding the Debtors’ ongoing business operations. As
20 previously stated, the 2020 STIP covers approximately 10,000 employees, including the Senior
21 Executives (but excluding Mr. Johnson, the PG&E Corp. CEO).

22 Safety is of primary importance to the Debtors, and as such, the proposed 2020 STIP’s
23 performance metrics are weighted predominately towards safety. The majority of the metrics are tied to
24 outcome-based results and all of the metrics are objectively defined, measurable, enforceable, and
25 auditable. For example, the Reportable Fire Ignitions metric measures reportable fire incidents where:
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27 ⁶ The Compensation Committee is currently comprised of three independent directors, Meridee A.
28 Moore (the Chair), William L. Smith, and Alejandro D. Wolff, all of whom joined in 2019 with
significant operating, compensation, and board experience.

1 (i) an ignition is associated with the Utility's transmission and/or distribution power lines; (ii) something
2 other than PG&E facilities burned; and (iii) the fire traveled more than one meter from the ignition point.
3 For the few specific metrics where outcome-based results are impractical or inapplicable, the Debtors
4 constructed metrics that measure objective risk mitigation activities. For example, the Gas Operations
5 Customer Response metric is designed to measure the results of PG&E's mitigation of public safety risks
6 and its efforts to increase reliability of service, by promoting prompt responses to customer calls or
7 notifications reporting a gas odor or gas emergency. It measures the number of minutes from the time
8 the Utility is notified to the time Utility personnel or another qualified first responder arrives onsite to
9 the location (subject to certain exclusions, such as multiple calls for the same event, or calls relating to
10 a planned gas release).

11 The appropriate targets were established, when available, using relevant external independent
12 benchmarks and internal performance data to ensure they are achievable yet challenging. For metrics
13 that have been used in the past, threshold, target, and maximum performance levels were set based on
14 historical company performance, but made to be even more challenging for the STIP Performance
15 Period. For example, for the Distribution Circuit Sectionalization metric, which measures the timeliness
16 of work completion of distribution circuit sectionalization devices to limit the number of customers
17 impacted by PSPS events, the metric could not be benchmarked externally, and as such, the Debtors
18 used historical data from 2019 PSPS events to set the appropriate levels for threshold, target, and
19 maximum performance levels. For the DCPD Reliability and Safety Indicator metric, the appropriate
20 performance levels were established based on criteria developed by the industry and apply to all nuclear
21 power plants in the country. The Safe Dam Operating Capacity ("SDOC") metric measures the risk of
22 a large uncontrolled water release – an important priority of the Debtors. As a new metric, past company
23 performance was not directly measured and no known industry benchmarking is known to exist making
24 this the first metric of its kind. As such, the Debtors designed the appropriate performance levels
25 utilizing nuclear industry methodology to measure the availability and performance of key safety
26 systems.

27 Moreover, in contrast with the Debtors' historical and 2019 STIP that used a single set of
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percentage weightings for safety, customer and financial performance metrics across the entire enterprise, the 2020 STIP contemplates four different sets of percentage weightings for safety, customer and financial performance metrics based on specific operating groups within the organization. For eligible STIP Participants above the senior director level, including the Senior Executives, and members of support organizations, the customer and workforce welfare performance metrics (which are designed to prioritize public and employee safety) will be weighted 75% and the financial stability performance metric, will be weighted 25%. For eligible STIP Participants at the senior director level and below who are employed in one of the three main operating units of the Company, Electric Operations, Gas Operations and Generation, the weightings of the performance metrics will be adjusted to provide a 40% weighting to metrics for which employees in the particular operational unit will have greater influence and control to achieve, also known as the “Line of Sight” weightings. The remaining 60% weighting is allocated to the performance metrics that apply across the entire enterprise, including customer and workforce welfare and financial stability. The balance between the “Line of Sight” weightings and enterprise-wide weightings was designed to provide greater incentives to “Line of Sight” employees to achieve outcomes for which they have greater visibility into and influence over, while continuing to promote coordinated collaboration across the entire company to achieve enterprise-wide customer and workforce welfare and financial stability goals.

STIP Participants will also be subject to an individual performance modifier (“IPM”) after the company score is calculated, whereby the awards for STIP Participants will be adjusted upwards or downwards based upon each employee’s achievement of his or her individual goals. Awards will be adjusted at the end of the STIP Performance Period based upon individualized performance goals set by management, with the potential IPM adjustment ranging from a low of 75% of award value to a high of 125% of award value unless the Compensation Committee or independent members of the Board of Directors of the Utility (the “**Independent Utility Board**”), as applicable, utilizes its discretion to zero out the award. A breakdown of the metrics and the various sets of weightings is provided below:

Category	Proposed Measures	Proposed Weightings			
		PG&E Corp. CEO, Participants Above Senior Director Level (including Senior Executives) & Support Organizations	Line of Sight Units		
			Electric	Gas	Generation
Customer and Workforce Welfare – (Prioritizing Public and Employee Safety) (75%)	Electric Operations	25%	30%	12%	10%
	Reportable Fire Ignitions (HFTD)	10%	12%	5%	4%
	Electric Asset Failure	10%	10%	5%	4%
	Distribution Circuit Sectionalization	5%	6%	2%	2%
	Gas Operations	15%	12%	35%	6%
	Large Overpressure Events	7.5%	6%	17.5%	3%
	Total Dig-Ins Reduction	7.5%	6%	17.5%	3%
	Generation	10%	6%	6%	40%
	Safe Dam Operating Capacity (SDOC)	5%	3%	3%	20%
	DCPP Reliability and Safety Indicator	5%	3%	3%	20%
	Additional Public Safety & Reliability	10%	12%	7%	4%
	Gas Customer Emergency Response (minutes)	3.33%	2%	5.0%	1.33%
	911 Emergency Response	3.33%	5%	1%	1.33%
	Customers Experiencing Multiple Interruptions (CEMI)	3.33%	5%	1%	1.33%
	Workforce Safety	15%	15%	15%	15%
	Days Away, Restricted & Transferred (DART) Rate				
Financial Stability (25%)	Non-GAAP Core Earnings Per Share	25%	25%	25%	25%

Line of Sight
Enterprise-Wide

40%	40%	40%
60%	60%	60%

Consistent with past practice, the Compensation Committee and the Independent Utility Board, as applicable, have complete discretion to reduce or eliminate 2020 STIP awards for any reason with respect to any particular employee or more broadly.⁷

B. 2020 LTIP -- Overview of Metrics and Weightings

Participants in the proposed 2020 LTIP (“**LTIP Participants**”) are comprised of 400 senior employees, who are also STIP Participants, including, as stated, the Senior Executives (but excluding Mr. Johnson, the PG&E Corp. CEO).

⁷ The Compensation Committee has complete discretion to reduce or eliminate 2020 STIP awards for any eligible employee with the exception of the CEO of the Utility, for whom the Independent Utility Board has sole discretion.

1 The proposed 2020 LTIP has been designed to further PG&E’s long-term objectives—especially
2 customer welfare and safety—by aligning incentive compensation with those objectives and making
3 corresponding equity awards over a long term period. The proposed 2020 LTIP metrics are different
4 from the 2020 STIP metrics and are premised on customer experience and public safety. Customer
5 experience will be weighted 50%, and within that category, customer satisfaction and Public Safety
6 Power Shutoff (“**PSPS**”) notification accuracy are equally weighted. The remaining 50% will be
7 weighted to public safety, and within that category, equally weighted to system hardening and the
8 mitigation of PSPS event scope through substation energization.

9 Similar to the 2020 STIP Metrics, when possible, the appropriate incentive levels for the 2020
10 LTIP were designed based on external independent benchmarks and internal performance data to ensure
11 they are achievable yet challenging.

12 Proposed 2020 LTIP awards are entirely equity-based, and, therefore, inherently align
13 compensation with strong company performance. The 2020 LTIP awards will consist entirely of PSs
14 that will vest only upon achievement of the objective performance metrics for the three-year performance
15 period commencing January 1, 2020 and ending December 31, 2022. The PSs will be granted at a target
16 dollar value, which will be converted into notional shares of Reorganized PG&E Corp. common stock
17 upon PG&E’s emergence from chapter 11 (the “**Emergence Date**”) based on the average closing price
18 for Reorganized PG&E Corp. stock on the first fifteen (15) trading days immediately following the
19 Emergence Date. At the end of the Performance Period (December 31, 2022), the LTIP score, based on
20 customer welfare and public safety, will be calculated. Finally, to take into account the long term
21 financial health and stability of PG&E, the LTIP score will be multiplied by a Total Shareholder Return
22 (“**TSR**”) modifier, which will increase or reduce the total award to LTIP Participants based on the total
23 performance of Reorganized PG&E Corp. stock (price appreciation or depreciation, plus dividends
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1 received, if any) relative to the same measure for a comparator group of peer companies.⁸

2 Also, TSR or a comparable financial performance metric is, in my experience, expected by
3 institutional shareholders in order to help align executive incentives with long-term shareholder welfare.
4 Because the 2020 LTIP will use TSR only as a modifier after LTIP awards are initially calculated, TSR
5 will receive less emphasis in the calculation of final awards than it would if, and are common at other
6 companies, it were a metric in its own right with a significant weighting. For example, under the 2020
7 LTIP, if threshold performance for the public safety metric and the customer experience metric are not
8 met, LTIP Participants will not be entitled to an LTIP payout even if PG&E Corp's stock performs well
9 compared to the stock of peer companies. If, however, the 2020 LTIP used TSR as an independent
10 metric, STIP Participants could then be entitled to an LTIP payout notwithstanding that the Debtors
11 failed to meet public safety, reliability, and customer welfare goals. Because the 2020 LTIP uses TSR
12 only as a modifier, the sole effect of TSR will be to increase or decrease the 2020 LTIP score that is
13 otherwise calculated, thereby keeping the LTIP Participant's compensation primarily tied to public
14 safety, reliability, and customer welfare. Thus, the proposed 2020 LTIP awards will be paid based on
15 performance, and in addition, their value over time will depend on PG&E's stock performance at least
16 three years into the future.

17 A breakdown of the metrics and weightings, which will apply to all LTIP Participants is provided
18 below:
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25 ⁸ The comparator group of companies is established by the Compensation Committee at the time of the
26 grant annually to ensure its appropriateness. The comparator group consists of: AES Corporation,
27 Ameren Corporation, American Electric Power, CenterPoint Energy, Inc., Consolidated Edison, Inc.,
28 Dominion Resources, Inc., DTE Energy Company, Duke Energy, Edison International, Entergy
Corporation, Eversource Energy, Exelon Corporation, FirstEnergy Corp., NextEra Energy, Inc., Public
Service Enterprise Group, Sempra Energy, Southern Company, WEC Energy Group, Inc., and Xcel
Energy Inc.

Category	Proposed Measures	Proposed Weights (all LTIP Participants)
Customer Experience (50%)	Customer Satisfaction Score	25%
	PSPS Notification Accuracy ⁹	25%
Public Safety (50%)	System Hardening (miles)	25%
	(PSPS) Mitigations Through Substation Energization	25%
Financial Stability – Total Shareholder Return (TSR) Modifier		75% to 125%

The Compensation Committee and the Independent Utility Board, as applicable, retain complete discretion to reduce or eliminate 2020 LTIP awards for any reason, subject to certain legal restrictions, with respect to any particular employee or more broadly.¹⁰

III.SUMMARY OF THE KEY TERMS OF THE 2020 STIP AND 2020 LTIP

The following is a summary of the key terms of the 2020 STIP and 2020 LTIP:

1. **Participants:**

- **2020 STIP Participants:** Approximately 10,000 employees, including Senior Executives, will be eligible to receive 2020 STIP awards.
- **2020 LTIP Participants:** Approximately 400 senior employees, who are also STIP Participants, including the Senior Executives, will be eligible to receive 2020 LTIP awards.¹¹

2. **Performance Period:**

- **2020 STIP:** The 2020 STIP will have a performance period of January 1, 2020 through December 31, 2020 (the “**STIP Performance Period**”).
- **2020 LTIP:** The PSs will have a performance period of January 1, 2020 through December 31, 2022 (the “**PS Performance Period**” and, together with the STIP Performance Period, the “**Performance Periods**”).

3. **Total Plan Cost:**

- **2020 STIP:** The total approximate cost of the 2020 STIP ranges from \$0 (if the Compensation Committee and the Independent Utility Board, as applicable, determine in their discretion that no payment should be earned) to \$89,000,000 at threshold to \$177,500,000 at target performance to \$266,000,000 at maximum performance.
- **2020 LTIP:** The aggregate value of the 2020 LTIP ranges from \$0 (if the Compensation Committee and the Independent Utility Board, as applicable, determine in their discretion that no payment should be earned) to \$28,200,000 at threshold to \$75,100,000 at target performance to \$187,800,000 at maximum performance, all payable in equity of reorganized PG&E Corp.

4. **Form of Awards:**

⁹ If there are no PSPS events during the LTIP Performance Period, the Customer Satisfaction Score will be the final total Customer Experience score.

¹⁰ The Compensation Committee has complete discretion to reduce or eliminate 2020 LTIP awards for any eligible employee with the exception of the CEO of the Utility, for whom the Independent Utility Board has sole discretion.

¹¹ Many of the participants have specialized training and experience directly related to utility management and regulatory compliance, and work across various departments within the Debtors’ organization, including operations, engineering, customer care, finance, human resources, information technology, and legal.

- 2020 STIP incentive compensation for the STIP Performance Period will consist of cash awards.
 - 2020 LTIP incentive compensation will consist of PSs.
5. **Award Issuance and Payout:**
- **2020 STIP:** All 2020 STIP awards will be paid annually following Internal Audit and Compensation Committee certification of the performance results.
 - **2020 LTIP:** The PSs will be awarded as soon as practicable after approval of the proposed 2020 LTIP, with a grant date of March 2, 2020 in compliance with the Debtors' Equity Grant Date Policy and must be held for at least three (3) years from the grant date. The PSs will be granted at a target dollar value, which will be converted into notional shares of Reorganized PG&E Corp. common stock upon the Debtors' emergence from chapter 11 based on the average closing price of Reorganized PG&E Corp. common shares on the first fifteen (15) trading days immediately following the Emergence Date. Subject to the discretion of the Compensation Committee or the Utility Board, as applicable, the 2020 LTIP awards will be calculated as of the end of the Performance Period (December 31, 2022), and be adjusted by the TSR modifier. The PSs will be settled in shares of post-emergence Reorganized PG&E Corp. common stock following Internal Audit and Compensation Committee certification of the performance results.

6. **Performance-Based Awards Payout Levels:** The 2020 STIP and PS awards (together, the "**Performance-Based Awards**") will each be calculated using company scores which reflect the sum of the weighted scores for each plan. Each metric will be scored as follows:

	2020 STIP	2020 LTIP
<i>Threshold Performance:</i>	If a threshold score is achieved, the metric will be scored at 50%	If a threshold score is achieved, the metric will be scored at 50%
<i>Target Performance:</i>	If a target score is achieved, the metric will be scored at 100%	If a target score is achieved, the metric will be scored at 100%
<i>Maximum Performance</i>	If a maximum score is achieved, the metric will be scored at 150%	If a maximum score is achieved, the metric will be scored at 200%

- Scores between (i) threshold and target and (ii) target and maximum will be interpolated on a linear basis.
 - If the Debtors do not meet threshold-level performance, there will be *no* payout for that metric.
7. **2020 STIP IPM:** Employees will be subject to an individual performance modifier ("**IPM**") after the company score is calculated, whereby the payments for STIP Participants will be adjusted upwards or downwards based upon each employee's achievement of his or her individual goals. Awards will be adjusted at the end of the STIP Performance Period based upon individualized performance goals set by management, with the potential IPM adjustment ranging from a low of 75% of award value to a high of 125% of award value unless the Compensation Committee or Independent Utility Board, as applicable, utilizes its discretion to zero out the score.¹²
8. **2020 LTIP TSR Modifier:** The TSR modifier adjusts LTIP payments based on a measurement of total share performance (price appreciation or depreciation, plus dividends received, if any) relative to the same measure for a comparator group of peer companies (a comparator group the Compensation Committee sets at the time of the grant

¹² There is no additional cost associated with the IPM; on an overall basis, upward adjustments are offset by downward adjustments.

annually to ensure its appropriateness) with the potential TSR modifier ranging from a low of 75% of award value to a high of 125% of award value.

9. **Eligibility Award Payout upon Termination:** If a STIP Participant (and, as applicable, an LTIP Participant) voluntarily terminates his or her employment other than for retirement, all future awards will be forfeited. If a STIP Participant (and, as applicable, LTIP Participant) retires, dies, or is involuntarily terminated, other than for cause (including termination in the case of disability), the STIP Participant (and as applicable LTIP Participant) will remain eligible to receive a prorated portion of the respective awards based on the percentage of time the STIP Participant (and as applicable LTIP Participant) remained employed during the Performance Period.
10. **Compensation Committee:** Consistent with historical practice, the Compensation Committee or the Independent Utility Board, as applicable, retain complete and final discretion to reduce or eliminate 2020 STIP and, subject to certain legal restrictions, the 2020 LTIP awards.

IV. SENIOR EXECUTIVE 2020 STIP AND 2020 LTIP PARTICIPANTS

As noted above, the proposed 2020 STIP and 2020 LTIP encompass twelve (12) Senior Executives of the Debtors (other than the CEO of PG&E Corp. whose performance-based awards have been previously approved) who are also “insiders” within the meaning of section 101 of the Bankruptcy Code. In addition to working to improve the Debtors’ safety culture and operations, since the commencement of these Chapter 11 Cases, the Debtors’ Senior Executives have dedicated their time and efforts to, among other things, stabilizing the Debtors’ business operations after the chapter 11 filings, addressing recent legislation enacted by the California legislature, achieving critical settlements with all three key creditor constituents holding wildfire claims, filing a chapter 11 plan and related documents that can be confirmed in advance of the June 30, 2020 legislative deadline provided for in AB 1054, and implementing a transformation of PG&E’s safety culture, operations and financial profile under challenging circumstances.

A summary of the Senior Executives and their respective responsibilities is detailed below.

Participant	Title	Customer and Workforce Welfare, Financial Stability, Customer Experience and Public Safety Responsibilities
Andrew Vesey	CEO and President, Utility	<ul style="list-style-type: none"> Responsible for overseeing safe operations, including oversight for all operational measures (Reportable Fire Ignitions, Electric Asset Failure, Distribution, Large Overpressure Events, Total Dig-Ins Reduction, Safe Dam Operating Capacity, Nuclear Reliability and Safety Indicator, Gas Customer Emergency Response, 911 Emergency Response, Customers Experiencing Multiple Interruptions, Customer Satisfaction Score, PSPS Notification Accuracy, System Hardening, and PSPS Mitigations Through Substation Energization). Responsible for supporting DART improvements within PacifiGas and Electric Company. Responsible for Core Earnings per Share. Responsible for the financial performance of the Utility.
Simon, John	EVP, Law, Strategy and Policy, PG&E Corp.	<ul style="list-style-type: none"> Responsible for overseeing the legal and regulatory strategies necessary to support operations, including safety-related activities. Responsible for prioritizing safety in regulatory findings to deploy PG&E’s capital to prioritize safety which drives results for Reportable Fire Ignitions, Electric Asset Failure, Distribution Circuit Sectionalization, Large Overpressure Events, Safe Dam Operating Capacity (SDOC), Nuclear Reliability and Safety Indicator, PSPS

Participant	Title	Customer and Workforce Welfare, Financial Stability, Customer Experience and Public Safety Responsibilities
		<p>Notification Accuracy, System Hardening, and PSPS Mitigations Through Substation Energization (as defined below).</p> <ul style="list-style-type: none">• Responsible for helping create a Speak Up, Listen Up, Follow Up culture so that employees can raise safety concerns.• Responsible for supporting DART (as defined below) improvements within Law, Strategy and Policy.• Responsible for the financial performance of Law, Strategy and Policy.
Wells, Jason	EVP and Chief Financial Officer, PG&E Corp.	<ul style="list-style-type: none">• Responsible for overseeing that sufficient capital is provided for safety-related activities, which drives results for all safety metrics.• Responsible for overseeing audit function to ensure accuracy of all performance results (as defined below).• Responsible for supporting DART improvements within Finance.• Responsible for the financial performance of PG&E Corp.
Loduca, Janet	SVP and General Counsel, PG&E Corp., and Utility	<ul style="list-style-type: none">• Responsible for providing legal support to support necessary operations, including safety-related activities.• Responsible for supporting DART improvements within Law.• Responsible for the financial performance of Legal.
Giammona, Loraine	SVP and Chief Customer Officer, Utility	<ul style="list-style-type: none">• Responsible for Customer Satisfaction Score and PSPS Notification Accuracy results.• Responsible for supporting DART improvements within Customer Care.• Responsible for the financial performance of Customer Care.
Kane, Julie	SVP, Chief Ethics and Compliance Officer and Deputy General Counsel, PG&E Corp. and Utility	<ul style="list-style-type: none">• Responsible for establishing and enhancing a culture of ethical and compliant behavior, which drives results for all safety performance metrics.• Leads Speak Up, Listen Up, Follow Up culture that, among other things, advances open discussion of safety, ethical or other issues, and supports the accurate management and presentation of all PG&E data, including the data relevant to the 2020 metrics.• Responsible for supporting DART improvements within Ethics & Compliance and Law.• Responsible for the financial performance of Ethics and Compliance.
Lewis, Michael	SVP, Electric Operations, Utility	<ul style="list-style-type: none">• Responsible for Reportable Fire Ignitions, Electric Asset Failure results, Distribution Circuit Sectionalization, 911 Emergency Response results, Customer Experiencing Multiple Interruptions, System Hardening, and PSPS Mitigations Through Substation Energization.• Responsible for supporting DART improvements within Electric Operations.• Responsible for the financial performance of Electric Operations.
Mistry, Dinyar	SVP, Human Resources, PG&E Corp. and Utility	<ul style="list-style-type: none">• Responsible for delivering an appropriately-sized and fully-qualified employee and contractor workforce, which drives results for all operational metrics (Reportable Fire Ignitions, Electric Asset Failure, Distribution, Large Overpressure Events, Total Dig-Ins Reduction, Safe Dam Operating Capacity, Nuclear Reliability and Safety Indicator, Gas Customer Emergency Response, 911 Emergency Response, Customers Experiencing Multiple Interruptions, Customer Satisfaction Score, PSPS Notification Accuracy, System Hardening, and PSPS Mitigations Through Substation Energization).• Responsible for safety and technical training.• Responsible for supporting DART improvements within HR.• Responsible for the financial performance of Human Resources.
Wan, Fong	SVP, Energy Policy and Procurement, Utility	<ul style="list-style-type: none">• Responsible for PSPS Mitigations Through Substation Energization.• Responsible for developing and implementing PG&E's energy policies for electricity, natural gas, and greenhouse gas regulation to achieve PG&E's affordability, reliability and safety goals for PG&E's customers.• Responsible for overseeing PG&E's commercial trading of electricity and natural gas commodities to assure delivery of safe and reliable energy services for PG&E's customers.• Responsible for supporting DART improvements within Energy Policy and Procurement.• Responsible for the financial performance of Energy Policy and Procurement.
Welsch, James	SVP, Generation and Chief Nuclear Officer, Utility	<ul style="list-style-type: none">• Responsible for Safe Dam Operating Capacity (SDOC) and Nuclear Reliability and Safety Indicator.• Responsible for supporting DART improvements within Generation.• Responsible for the financial performance of Generation.
Kay, Kathleen	SVP, Chief Information Officer, Utility	<ul style="list-style-type: none">• Responsible for providing information technology solutions to support operations, including safety-related activities such as building and/or deploying technologies that enable the Wildfire Safety Operations Center, Distribution Circuit Sectionalization, PSPS Mitigations Through Substation Enablement, weather stations, remote cameras, new locate and mark applications, inspection applications to enable accelerated inspections and vegetation management.• Responsible for supporting DART improvements within Information Technology.• Responsible for the financial performance of Information Technology.
Thomason, David	VP, Controller, PG&E Corp. and Utility, and also Utility Chief Financial Officer	<ul style="list-style-type: none">• Responsible for ensuring sufficient funding is provided for safety-related activities, which drives results for all safety metrics including System Hardening plan.• Responsible for maintaining access to capital necessary to finance PG&E's safety investments.• Responsible for establishing standards for financial documentation related to electric and gas construction projects, working with the lines of business to improve processes related to asset records, and testing records for accuracy and completeness.• Responsible for supporting regulatory approval and funding for PG&E's safety activities and investments.• Responsible for supporting DART improvements within Finance.• Responsible for the financial performance of the Utility.

Due to the failure to make any STIP payments to any employee in 2018, and the suspension of incentive compensation to the Senior Executives to date during the pendency of these Chapter 11 Cases, the Senior Executives have been compensated at levels significantly below market.¹³ Virtually all public companies, including utilities, pay senior executives a base salary plus at-risk incentive compensation, which is a significant portion of each executive's total compensation. It is my belief that customary and sound senior executive employment policy warrants the adoption of an incentive program that provides senior management with the opportunity to receive a market level of compensation if reasonable and challenging targets are achieved. The 2020 seeks to provide the Senior Executives with the same opportunity as the broad employee base, to earn a market level of compensation during the Performance Periods, if (and only if) the Debtors achieve challenging safety and financial goals.

V. DEVELOPMENT OF THE 2020 PG&E CORP. CEO PERFORMANCE METRICS

Since May 2, 2019, William D. Johnson, a highly respected executive with more than a decade of combined chief executive officer experience and an indisputable safety record, has led PG&E Corp. as its new CEO and President. Mr. Johnson is responsible for leading PG&E's 23,000 employees across its diverse operations as a unified enterprise in providing safe and reliable service to over 15 million customers. In connection with his appointment, the Debtors sought and this Court determined that the terms of Mr. Johnson's proposed employment, including his compensation, were reasonable and reflected a sound exercise of the Debtors' business judgment.

Under the Court-approved terms of Mr. Johnson's employment, Mr. Johnson's incentive compensation for a three year period consists of (i) time-based restricted stock units, (ii) PSs, and (iii) performance-based stock options ("**Options**" and together with the PSs, the "**CEO Performance-Based Awards**")), and the performance metrics and weightings applicable to his 2019 performance-based awards aligned with the metrics and weightings of the 2019 STIP. Pursuant to Mr. Johnson's approved employment terms, the 2020 PG&E Corp. Performance Metrics applicable to the 2020 CEO Performance-Based Awards however, were to be determined at a later time. The PG&E Corp. Board later determined that the 2020 CEO Performance Metrics should align with the proposed Company-

¹³ This excludes the CEO of the Utility who had a separate compensation package in 2019.

1 Wide Weightings in the 2020 STIP, which prioritize safety by setting challenging yet achievable targets
2 and giving public and employee safety-related metrics a 75% weighting. With respect to the PG&E
3 Corp. 2020 CEO Performance Metrics, it is my belief that the limited relief sought in the Motion to apply
4 the *same* performance metrics proposed in the Debtors' 2020 STIP to the CEO Performance-Based
5 Awards is also a sound exercise of business judgment. As with Mr. Johnson's 2019 equity awards, the
6 actual award payout will be based on performance results certified by Internal Audit, recommended for
7 approval by the Compensation Committee and subject to final approval by the independent members of
8 the (the "**Independent PG&E Corp. Board**"). The Independent PG&E Corp. Board retains full
9 discretion to reduce the CEO Performance-Based Awards.

10
11 **VI. THE 2020 STIP AND 2020 LTIP ARE REASONABLE AND SHOULD BE APPROVED**

12 I believe the adoption and implementation of the 2020 STIP and 2020 LTIP is a sound exercise
13 of the Debtors' business judgment. Further, I believe that implementation of the 2020 STIP and 2020
14 LTIP is designed to enhance enterprise value for the benefit of all the Debtors' stakeholders, and promote
15 a successful reorganization.

16 The 2020 STIP and 2020 LTIP were formulated to provide market-based compensation and
17 appropriate incentives for all eligible employees. I believe that the 2020 STIP and 2020 LTIP are
18 important to the successful transformation of PG&E and incentivizing the Debtors' thousands of
19 employees to work in unison toward a clear set of unified goals. The 2020 STIP and 2020 LTIP
20 performance levels were set with the goal of being challenging, but still achievable. As part of this
21 process, the performance levels of certain metrics were discussed extensively with senior management,
22 the Compensation Committee, PG, and made more challenging after feedback from senior management
23 and the Compensation Committee. In many instances, the performance needed to hit target levels was
24 increased from historical performance to ensure the plans remain challenging and emphasize continuous
25 improvement. The Debtors are confident that the target performance levels set reflect challenging, yet
26 achievable, goals.

27 Additionally, the risk-related performance metrics in both the 2020 STIP and the 2020 LTIP were
28

1 informed by PG&E's unique Enterprise and Operational Risk Management Program, which incorporates
2 facets of the California Public Utility Commissions (the "CPUC")'s Safety Model Assessment
3 Proceeding and Risk Assessment Mitigation Phase proceeding. Furthermore, the 2020 STIP and 2020
4 LTIP were designed to comply with AB 1054, and will reflect any modifications required for CPUC
5 approval through the Plan OII process. AB 1054 delegates to the CPUC the power to approve executive
6 compensation plans for the purpose of issuing a safety certification. As a participant in the Plan OII
7 process, PG&E has been engaged in ongoing negotiations with the CPUC and Governor Newsom's
8 office regarding the Debtors' post-emergence executive incentive plans. Furthermore, the CPUC heard
9 testimony regarding PG&E's 2020 post-emergence executive compensation plan, including the 2020
10 STIP and 2020 LTIP, on March 3, 2020. In advance of the testimony, PG&E submitted written
11 testimony explaining its proposed incentive plans, the decision-making that support the proposals, and
12 why the proposals meet AB 1054's standards for the Utility's executive officers.¹⁴ As noted above, the
13 Debtors, with the considerable oversight of the Compensation Committee, have used this iterative
14 process to entirely redesign PG&E's compensation plans, both for its Senior Executives and broad-based
15 employees, to better align employee performance with key enterprise goals. I believe the STIP
16 Participants and LTIP Participants are critical to ongoing operations and to preserving and enhancing
17 enterprise value, and it is imperative that the Debtors provide appropriate, market-based compensation
18 and incentives to ensure the success of the Debtors' restructuring efforts and business operations. The
19 2020 STIP and 2020 LTIP were carefully tailored to (i) drive performance to achieve critical safety and
20 financial objectives, (ii) provide competitive compensation that aids in motivating employees to achieve
21 the performance metrics that will promote company objectives and maximize enterprise value, and (iii)
22 comply with the requirements and intent of AB 1054.

23 Third, the 2020 STIP and 2020 LTIP are "at-risk" plans with no guarantees of payment.
24 Moreover, the costs associated with the plans are in line with the Debtors' historical annual compensation
25 plans and fall within the range of competitive practice relative to company size and incentive structure
26 and design of peer companies. Employees can earn payments if—and only if—the Debtors achieve set
27

28 ¹⁴ See "Pacific Gas and Electric Company Plan of Reorganization OII 2019, Prepared Testimony, Volume 1: Chapter 7, Executive Compensation," (Jan. 31, 2020).

1 performance goals and the Compensation Committee or Utility Board, as applicable, act to approve the
2 payments. In designing the plan this way, I believe the Debtors are sending a clear message to their
3 workforce that the safety of the communities the Debtors serve and of their employees is of paramount
4 concern.

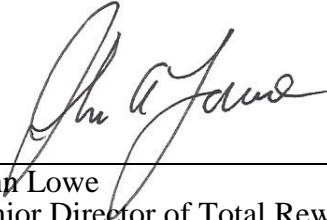
5 Furthermore, the 2020 STIP and 2020 LTIP largely continue the Debtors' historical incentive
6 compensation practices, with certain modifications comply with the requirements and intent of AB 1054,
7 which governs PG&E's post-emergence executive incentive compensation. In the event the CPUC also
8 requires certain modifications to the Debtors executive compensation plans, the Debtors will modify the
9 2020 STIP and 2020 LTIP accordingly.

10 Finally, the 2020 STIP and 2020 LTIP are the product of due diligence with the input of the
11 Debtors' professional advisors, including PG. I am confident that the target performance levels reflect
12 difficult, yet feasible, goals. Based on my experience and knowledge, the 2020 STIP and 2020 LTIP
13 fall within the range of competitive practice and design relative to company size of peer companies'
14 incentive plans and is reasonable in light of the size of the Debtors' business enterprise, the number of
15 participants in the plan, as well as the incentive-based nature of the 2020 STIP and 2020 LTIP and the
16 need to maintain competitive market compensation, particularly in the circumstances of these Chapter
17 11 Cases.

Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury, that the foregoing is true and correct.

Dated: March 4, 2020

San Francisco, California



John Lowe
Senior Director of Total Rewards
Pacific Gas and Electric Company